2015 North America Consumer Digital Banking Survey for Lenders

Mortgage Lending Shaped by the Customer

High performance. Delivered.
Home mortgage lending in North America continues to be lucrative and highly competitive, even more so as the market moves online. For example, US purchase originations dollar volume for 2015 is projected at $729 billion, a 14 percent increase over 2014, according to the MBA Mortgage Finance Forecast. The MBA also expects a six percent increase in refinance dollars to $512 billion in 2015. Granted, the competition is fierce. Non-traditional lenders (independent non-banks like Quicken Loans, Freedom Mortgage, Penny Mac and so forth) now account for approximately half of the top 20 mortgage origination institutions. This trend held steady as the market shifted from a refinance to a purchase market, suggesting that these competitors can compete in the purchase market and are here to stay.

For bank and non-bank lenders to increase loan origination volumes and business revenues, they will need to better understand and anticipate the driver at the center of market change: digital-savvy borrowers. Greatly influenced by digital innovation that powers other aspects of their lives, borrowers appear to reward convenient, simple, speedy, on-demand and personalized service. Yet, nuances in their expectations and behaviors exist.

Accenture recently surveyed over 4,000 consumers in the United States and Canada as part of a multi-year research initiative to understand who they are, how they bank—and how they expect to bank in 2020. This report offers a lending-specific perspective on the survey findings.

Analyzing the thousands of data points gathered from our survey, three key borrower insights rise to the top: their relationship is transactional in nature, their tendency to stray is increasing and their channels matter. These insights point to mortgage lenders becoming digital lenders, taking advantage of digital innovation to deliver a meaningful customer experience and turn mortgage events into healthy, sustainable customer relationships.
Consumers’ perception of their banking relationship as transactional rather than advice-driven is growing at a rapid pace. Most North American consumers (79 percent) define their banking relationship as transactional—a perception that worsened nearly 10 percent from our 2014 survey, as shown in Figure 1. In the US, that number is 81 percent compared to 74 percent in the 2014 Accenture Digital Banking Survey, representing a 7 percent deterioration. In Canada, 75 percent view their bank provider as transactional compared to 65 percent a year earlier, a 9 percent decline.

Yet, a purely transactional, utility-like position can be risky for bank lenders, inviting customers to shop around. Consider that over the last 12 months, only 48 percent of North America consumers got home mortgages and financial advice (39 percent in the US) from their primary bank. In essence, bank loyalty is not a factor for borrowers in shopping for a mortgage loan. Borrowers tend to select a mortgage originator based on product price and their expectation for an easy, speedy transaction process. While these loan origination traits—speed and ease—are likely to remain priorities for consumers, mortgage lenders will need to do more to extend the value proposition beyond the transaction and avoid being viewed as just a service for basic financial transactions.

New and niche loan origination players get it; about half of the top ten mortgage originators are non-traditional banking institutions. In J.D. Power’s 2014 U.S. Primary Mortgage Origination Satisfaction Study, Quicken Loans had the highest origination scores over each of the past five years. This reinforces that lenders do not have to have a brick and mortar branch model to meet customers’ expectations through the sales and origination life cycle.

**FIGURE 1. Consumers in North America increasingly view their banking relationships as transactional.**

Q: How would you categorize your relationship with your primary relationship bank?

<table>
<thead>
<tr>
<th></th>
<th>2014</th>
<th>2015</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>2014</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Transactional: My relationship is defined by simple transactions like paying bills, checking account statements, etc.</td>
<td>71%</td>
<td>79%</td>
</tr>
<tr>
<td>Advice/Relationship Driven: My relationship is defined by my bank providing advice that improves my financial well-being</td>
<td>29%</td>
<td>21%</td>
</tr>
</tbody>
</table>

n = 4,004

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INSIGHT #2

Straying among borrowers is increasing

Perhaps not surprising in light of borrowers’ view of their banking relationship as transactional, we found that 63 percent of survey participants in the US have a mortgage with a lender other than their primary bank (Figure 2). This is an increase of three percent over our 2013 findings, driven in part by growth in the number of providers and the fact that online rate shopping has become easier. Meanwhile, 69 percent of borrowers in Canada prefer to buy mortgages from their local primary bank, showing the dominance of the Big Five Canadian lenders in the market.

The straying is even higher for consumers’ second-largest purchase, a car: in the US, 71 percent (compared to 68 percent in 2013) have an auto loan with a bank other than their primary bank, indicating that consumers value price and simplicity for large purchases (home and auto) over relationship. Their priority is price, speed and convenience, so much so that consumers are open to new and unlikely lending sources. For example, 17 percent of survey respondents said they would use a non-banking institution (such as a retailer or online lending site) if they were to apply for a loan in the future.

FIGURE 2. From whom consumers bought home mortgage loan in the last 12 months.

Responses By Category:
- Other types of providers¹
- Wealth provider (e.g., brokerage, wealth/asset manager, etc.)
- Another retail bank institution
- My Primary Relationship Bank (i.e., where you keep your personal checking and debit account)

¹Includes non FS and payments providers and insurance companies

n = 406 respondents
Source: 2015 North America Consumer Digital Banking Survey
Still, borrowers welcome extended services from their primary bank. Forty-six percent of consumers (49 percent in the US) would be interested in help from their banks to buy a home. Nearly a third say that receiving customer service across the entire transaction would motivate them to apply for a mortgage with their current bank, even without the most favorable interest rates (Figure 3). This requires a solid service experience with top-quality interaction points throughout their lifecycle, conducted through online and physical channels by both people and machines.

Such an experience might include the offer of educational materials and services on the obligations of home ownership, or helping a borrower calculate the size of home she can afford with simple budgeting tools. These types of borrower help can dramatically improve customers’ perception and loyalty.

**FIGURE 3. Top reasons consumers would apply for a mortgage with their primary provider, even without the most favorable interest rate?**

<table>
<thead>
<tr>
<th>Source: 2015 North America Consumer Digital Banking Survey</th>
<th>Responses By Category:</th>
</tr>
</thead>
<tbody>
<tr>
<td>North America</td>
<td>Other (Please Specify)</td>
</tr>
<tr>
<td>US</td>
<td>Getting assistance in search of relevant real estate properties</td>
</tr>
<tr>
<td>Canada</td>
<td>Receive information proactively about how I can raise my home value over time</td>
</tr>
<tr>
<td></td>
<td>Receive information proactively about the value of my home compared to other home valuations</td>
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<tr>
<td></td>
<td>Being able to submit documents to my lender through e-mail apps or website</td>
</tr>
<tr>
<td></td>
<td>To receive information related to my credit standing and risk factors related to my mortgage application</td>
</tr>
<tr>
<td></td>
<td>Being able to execute transaction mostly through digital channels</td>
</tr>
<tr>
<td></td>
<td>To pay and manage my mortgage-related fees and loans on a proactive basis</td>
</tr>
<tr>
<td></td>
<td>Receiving end-to-end customer service</td>
</tr>
</tbody>
</table>

n = 2,669 Respondents
Borrowers increasingly want to interact with mortgage lenders—from application to close—through online channels. They expect status of loan applications through mobile, text messaging and other digital channels.

More than a fifth (23 percent) of US consumers who purchased a mortgage over the past year did so through the internet/online channel (Figure 4)—an 8 percent increase over our 2012 findings. At the same time, the number of borrowers surveyed who applied for a mortgage through the branch decreased by 25 percent. Looking at age, 27 percent for those aged 25 to 29 in North America used the online channel to purchase a mortgage—the highest usage rate for age demographic groups.

For the first time in our research, consumers ranked online banking services as the number one reason for staying with their bank, ahead of branch locations and low fees. Thirty-four percent of the consumers surveyed say that online is the most important channel for banks to invest in over the next five years followed by mobile (20 percent).

FIGURE 4. Consumers who purchased a mortgage through the Internet/online channel.

Responses By Category:
- Other
- Telephone / call center
- Internet/Online (ie., PC)
- Bank-branch / Office Location

Source: 2015 North America Consumer Digital Banking Survey
Turn the mortgage event into more

The three key borrower insights hold a significant implication for lenders and their mortgage origination process: deliver a compelling service experience that meets the expectation of the digital customer. Lenders can draw on their customer data to turn home buying events into value-adding relationships. It requires a mindset shift for traditional lenders—from a competitive ego-system to a collaborative ecosystem, from customer touch points to customer trust points.

Aside from offering best-in-class products and relationship pricing, those aiming to lead the industry must take decisive actions that optimize use of digital technology:

- **Incorporate data and predictive analytics to provide incremental value.** Lenders can use the large and growing volumes of customer data sifted through sophisticated algorithms to anticipate customers’ needs and life events. Providers can then proactively engage prospective borrowers early, just when they are likely to be most interested in home buying and mortgage options. Another person added to a checking account or the opening up of a savings account for minors, for example, may signal a change in lifestyle—and, at a minimum, warrant contacting the customer to check in. Customers will see the benefit beyond transactions of having their accounts together and linked under one bank.

- **Provide online research tools** as intuitive and simple ways for customers to learn more about the home buying process and their affordability. Such tools can help improve the service experience, such as set buyer expectations and raise buyers’ budget planning awareness. Lenders can localize the experience by integrating with multiple property listing services, such as MLS, that allow borrowers to shop for homes against their defined search criteria or connect with real estate agents who specialize in the communities where they want to live.

- **Develop online transaction capabilities** that give customers a window into the mortgage process and empower them to choose how and when they interact. Develop online and mobile tools and channels that allow borrowers to conduct research, apply for loans, submit documents, track status and electronically close. Fully integrate these tools and channels with the bank’s core loan origination system, preferably with an automated back-end for real-time updates.

- **Create a win-win scenario for real estate agents and other providers** as part of the larger lending ecosystem. For borrowers, acquiring a mortgage, of course, is not about a financial transaction; it’s about purchasing and creating a home. Though new territory for lenders, engaging in the broader ecosystem is an opportunity to forge community connections, extend deeper into customers’ everyday financial decision making and, frankly, grow business. The more attractive the business relationship for agents and partners in the extended lending ecosystem, the more likely they are to refer their clients for loans. Lenders can nurture a spirit of ecosystem collaboration by sharing data securely to keep agents aware of the loan status for their customers. As part of the mortgage process, facilitate connections between borrowers and other providers that can help buyers address needs beyond the loan, such as home inspectors, repairers, movers, lawn servicers, home furnishing retailers and more.

- **Take advantage of branch visits.** Though they are increasingly turning to online channels, many prospective borrowers still value branches. Be ready to optimize that value. “We’ll have a loan officer to call you” is an insufficient directive. Rather, have a real estate expert available virtually to talk with prospective borrowers via video chat to discuss their unique situation and advise on mortgage options. Also, introduce to the borrower your digital channels, online tools and self-service kiosks. Incent her, for example, to download your mobile app before she leaves the branch.

- **Reap the benefits of the digital era.** As borrowers increase the use of digital channels for sales and self-service, there will be a transformational change in how lenders support borrowers through the origination process. First, the role of the sales channel begins to shift from a high-touch, in-person relationship to a borrower-dictated, as-needed touch, remote relationship. The digital borrower’s need for a loan officer can be satisfied via call center and online chat capabilities. It means a lower cost to serve and more profitable sales channel. Further, borrower self-service means that the customer completes fulfillment tasks that are traditionally handled by back-office staff. The result: less work and lower fulfillment costs. Lenders that enable borrowers to dictate digital interactions will come out ahead of the competition and can do so while lowering their operating expense.

Mortgage lenders must continuously reorient their business around the customers’ fluid home purchase needs, both mortgage and non-mortgage. The good news is that digital technology is making it easier for lenders to do just that—providing the platforms to open up new channels, connect with value chain providers and quickly become masters of operating and going to market in digital ways for future growth.
About Accenture

Accenture is a global management consulting, technology services and outsourcing company, with more than 323,000 people serving clients in more than 120 countries. Combining unparalleled experience, comprehensive capabilities across all industries and business functions, and extensive research on the world’s most successful companies, Accenture collaborates with clients to help them become high-performance businesses and governments. The company generated net revenues of US$30.0 billion for the fiscal year ended Aug. 31, 2014. Its home page is www.accenture.com.

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